



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony of
The Connecticut Insurance Department
Before the
Judiciary Committee
March 30th, 2011

H. 6629—An Act Concerning Domestic Violence

The Connecticut Insurance Department submits written testimony in support of sections 16 through 21 of S. 6629—An Act Concerning Domestic Violence. The Department appreciates that the Speaker's Task Force on Domestic Violence has recognized the need for bail bond reform and has included these important provisions within this legislation.

Many are surprised to learn that the Insurance Department regulates a large contingent of bail bond agents. Currently, there are 459 bail bond agents and 133 bail bond agencies in Connecticut. Insurance Department staff spends a considerable amount of time and effort to regulate these agents, sometimes without clear authority to address a number of issues related to the bail bond industry and the manner in which surety bail bond agents conduct business.

The Department lacks the requisite statutory authority to regulate them effectively and repeated attempts seeking appropriate legislation have failed in the past. Here are just a few examples of cases—some quite tragic—that we have little to no authority to remedy:

- *A domestic violence case where the bondsman did not collect any monies up front and bonded a defendant out based on his oral promise to pay at a later date. After being bonded out, the defendant killed his estranged wife and himself.*
- *A high-profile murder case in which the bondsman accepted only a portion of the mandatory premium due from the defendant, and made no attempt to follow up to collect the remaining premium owed. The bondsman then submitted a false document to the Department during the investigation.*
- *Several cases of alleged violence between bondsmen, some of whom are currently facing criminal charges due to this alleged violence.*

The provisions of H. 6629 related to bail bond reform will go a long way toward giving the Insurance Department additional tools needed to regulate this industry.

Specifically:

Section 17 imposes a \$450 annual fee on bail bond agents that will be used to cover the costs of examinations to ensure that agents are charging the appropriate bond and maintaining accurate books and records.

Section 18 requires that agents charge the full bond premium approved by the Insurance Department; that bail bond agents swear under oath that they have charged the filed rate;

requires surety companies to conduct semiannual audits of bail bond agents to ensure compliance; and allows for the use of premium financing.

Section 19 allows for the use of payment plans with a minimum of 35 percent down with the requirement that a promissory note be executed for the remainder of the bond.

Section 20 requires the establishment of Trust Accounts to ensure that the bail bond agent account for and pay funds to the surety company; requires bail bond agents to make available and retain for three years books and records that will allow the Department to ensure compliance with these requirements.

Section 21 prohibits a bail bond agent from executing any bonds when a previous bond is forfeited and remains unpaid for 60 days after the due date.

These provisions will address a practice known as "undercutting", which occurs when bail bond agents compete for business by discounting the premium due on a bond and do not charge their clients the statutorily required amount. This unlawful behavior allows defendants to post bond at rates lower than what the state requires.

Second, this proposal establishes standards for record retention and accounting for premiums that allow for additional oversight by the Insurance Department. These requirements will provide much needed transparency in an industry that currently has none. Such transparency will be enhanced by posting the results of market conduct examinations on the Department's Web site for public inspection.

To guarantee that the Department has adequate resources to conduct market conduct examinations of the bail bond industry, this proposal includes a funding mechanism that will enable the Department to cover the costs of examinations. These funds will be deposited in a Surety Bail Bond Agent Exam Account within the Insurance Fund to be used to pay the costs associated with examinations aimed at ensuring that surety bail bond agents are maintaining the proper records, are managing collateral from defendants in a legal manner and are adhering to all applicable provisions of the law.

In the end, if these reforms are enacted, the Insurance Department will have additional tools and resources needed to regulate bail bond agents in a manner that protects the public from potentially dangerous criminals. The current system lacks adequate safeguards to prevent bail bond agents from discounting the premium on bonds and compromises the integrity of the bail bond system in Connecticut.

Reform of the bail bond industry is needed and long overdue. The Connecticut Insurance Department urges you to support this important initiative and pass these long sought after reforms and we look forward to working with members of this committee to gain passage of meaningful bail bond reform.